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DOCKET NO. T-00000A-00-0194

Ms. Lynn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

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DOCKETED BY	<i>Mac</i>
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In Re: Questions for Cost Docket witnesses

Dear Ms. Farmer:

Having reviewed the filed testimony in this Docket, I have the following questions and would appreciate it if you could ensure these questions are answered during the hearings. Please allow all parties the opportunity to respond to questions addressed to other individuals, if they so choose, please also accept any written responses that may be provided by the parties.

Thank you for your assistance.

ROBERT F. KENNEDY, for Qwest

Collocation

October 11, 2000 Testimony

Page 16, Line 11

In that section, you discuss the recurring monthly charges for collocation space lease. As applied to the recent Qwest rate settlement, are those charges for space lease within Basket 3? If so, what are the anticipated revenues that will offset Basket 1 prices?

Collocation

June 27, 2001 Testimony

Page 21, Lines 1-2

In that section, you state that Qwest has had "few, if any" requests for adjacent collocation. In the March 15, 2001 testimony of Mr. Fitzsimmons, for Qwest, at Page 22, Lines 3-8, and again in his rebuttal testimony at page 10, line 13 through page 13, line 3, he argues that Qwest is in a highly

July 11, 2001

Page 2

competitive situation in Arizona. Mr. Fitzsimmons, in fact, at Page 22, Lines 3-8 of his March 15th testimony states, "As of December 31, 2000, there were 32 active competitors collocated in Qwest's wire centers in Arizona, and 94.3 percent of Qwest's access lines were in wire centers with one or more collocated competitors. Eighty percent of Qwest's access lines were in wire centers with three or more collocated competitors." Simply put, which way is it? Is Qwest suffering the slings and arrows of collocated competitors, or is there still, as you state at Page 21, Line 2 of your rebuttal testimony, "no meaningful data upon which to develop costs"? Has any state approved an SGAT with 19 Individual Case Basis prices?

Collocation

October 11, 2000 Testimony

Page 18, Line 17

In that section, you state that a call out of a maintenance technician for a collocated CLEC will involve a three- hour minimum charge. How does this comport with Qwest's filed tariffs?

UNE Rates

March 15, 2001 Testimony

Page 43

In that section, at Lines 1-3, and Lines 20-22 you offer the exact same defining language for UDF-Loop and E-UDF. Newton's Telecom Dictionary, 17th Edition, 2001 contains neither term. Can you tell me if UDF-Loop and E-UDF are the same item?

JAMES C. OVERTON, for Qwest

MDU/MTE's

June 29, 2001 Testimony

Page 2, Line 10 through Page 5, Line 7

In that section, you rebut the testimony of Mr. Collins for Cox. Your testimony relies on the 'Cable Wire Service Termination Policy' of Qwest, the 'CWSTP'. Were CLEC's involved in the drafting of the CSWTP? Did the FCC review or approve the CWSTP as being non-discriminatory? Did the ACC review or approve the CWSTP as being non-discriminatory and in compliance with Qwest's filed tariffs and Commission Rules?

Line Sharing

March 15, 2001 Testimony

Page 22, Line 17

In that section, you state, "The principal decision regarding line sharing network architecture is where to place the POTS splitter within the central office." [See also, Robert J. Hubbard, for Qwest, October 11, 2000; Page 6, Lines 13-20, same statement is made.]

Why then are there so many non-recurring engineering charges proposed by Qwest for collocation?

TERESA K. MILLION, for Qwest

Fill Factors

March 15, 2001 Testimony

Page 34, Lines 1-7

In that section, you argue that the past Commission decision in Docket U-3021-96-448 to reject the use of objective fills in cost studies should also apply in this docket. By reducing the fill factors, what will happen to the UNE rate for Loops? Are any other UNE's impacted? If we adopt the 85% fill factor some have proposed what happens to the UNE rate for Loops? Other UNE's?

Fill Factors

Mr. Denney, for AT&T/WorldCom/XO, in his May 16, 2001 testimony, at Page 38, Lines 11-13 states that the HAI Model uses a cable sizing factor of 75% in distribution, resulting in an average actual fill factor of 48.8%. How do these factors compare to Qwest's estimates?

Line Sharing

March 15, 2001 Testimony

Page 69, Lines 15-16

In that section, you propose a \$5 charge for the High Frequency Portion of the Loop (HFPL). Given Qwest's repetitious argument that the residential loop is subsidized by business; the loop is already paid for isn't it? That is, Qwest's currently-approved rates and tariffs allow Qwest to recoup their 'loss' on the residential portion of the loop through business rates; so won't this \$5 charge for the HFPL result in a gratuitous 'extra' recovery on the loop? Should the \$5 charge for HFPL further reduce the residential loop rate?

TELRIC

October 11, 2000 Testimony

Page 13, Line 17 through Page 14, Line 1

In that section, you identify the cost factors included in estimating operating costs for TELRIC analysis. You discuss productivity increases, are the productivity increases in your model the same productivity factors in the Qwest rate settlement?

UNE- Loop

October 11, 2000 Testimony

Page 33, Lines 7-13

In that section, you present the proposed rates for unbundled 2-wire and Line Sharing 2 wire UNE. What are the current wholesale rates charged by Qwest for these services? What are the current retail rates for these services, if such a market exists?

UNE- Loop

October 11, 2000 Testimony

Page 61, Lines 12-18

In that section, you present the proposed deaveraged unbundled loop rates, by zone. What are the current Arizona retail rates, by zone for 1FR? [See also, Direct Confidential Testimony, Exhibit TKM-2, page 1]

UNE- DSL

October 11, 2000 Testimony

Exhibit TKM-3, Page 1

In that section, you present the proposed UNE Recurring rates for DS1 and DS3 Loops. How many customers can be served by each of these loops?

MAUREEN ARNOLD, for Qwest

UNE Rates

March 15, 2001 Testimony

Page 8, Lines 2-7

In that section, you state, "Qwest recommends that the Commission set prices for interconnection services and UNE's at a level that will permit Qwest a fair opportunity to compete in the marketplace and to earn a reasonable return on its investment in Arizona." Then, in Exhibit MA1, Page 8 you propose Unbundled SubLoop Rates that are priced higher than the retail rate Qwest charges. Should the Commission not be concerned with 'permitting CLEC's a fair opportunity to compete in the marketplace and to earn a reasonable return on their investment in Arizona'? If the argument is 1FR is subsidized by business then see Page 2, this letter, Last Paragraph, Line Sharing question for Teresa K. Million.

Qwest Overhead Factor

In the testimony of Mr. Dunkel, for Staff, at Page 17, Lines 20-21, he recommends an overhead factor for Qwest of 15%. In the rebuttal testimony of Ms. Gude, for Qwest, at Page 39, Lines 16-18, she argues that the Qwest data show an actual overhead factor of 14.6% over the past five years and 12.9% in 2000. What are the implications of adopting Ms. Gude's lower proposals rather than Mr. Dunkel's 15%? Given that the Commission adopted the 15% factor in Decision 60635, is Qwest willing to agree now to a lower factor?

TELRIC

In the testimony of Mr. Hydock for AT&T/WorldCom/XO dated May 18, 2001, at page 36, line 11 through page 37, line 10, he argues that Qwest has filed a TELRIC study which has identical or higher investment and expense figures than US West had four years ago. Do you agree? What are the implications of higher investment and expense figures in TELRIC? Mr. Hydock also argues that Qwest relied on assumptions of stagnant and inflated prices to drive up TELRIC and that productivity increases were not factored in Qwest's TELRIC. What productivity factor was used in the study and how does it compare to the productivity increases Qwest and US West

predicted during their merger? How does it compare to the productivity factor adopted in the Qwest rate settlement?

UNE- Loop

Mr. Dunkel, for Staff, at Page i of his June 12, 2001 testimony proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 9.35	\$ 9.35
Zone II	\$14.57	\$14.20
Zone III	\$43.80	\$36.34
State Avg.	\$13.22	\$11.89

Please explain the anticipated effects on competition from adopting these rates.

Mr. Denney, for AT&T/WorldCom, at Page 46 of his May 16, 2001 testimony proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 7.34	\$ 7.34
Zone II	\$11.23	\$10.91
Zone III	\$32.06	\$26.59
State Avg.	\$10.11	\$ 9.14

Please explain the anticipated effects on competition from adopting these rates.

Ms. Million, for Qwest, at Page 1 of Exhibit TKM-2, October 11, 2000 proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$REDACTED	\$REDACTED
Zone II	\$REDACTED	\$REDACTED
Zone III	\$REDACTED	\$REDACTED
State Avg.	\$REDACTED	\$REDACTED

Please explain the anticipated effects on competition from adopting these rates.

In the rebuttal testimony of Teresa K. Million, for Qwest, at Page 58, Line 14 through page 59, line 13; she proposes new break points and new costs as follows (excluding sold exchanges): Zone I - \$ REDACTED; Zone II - \$ REDACTED; Zone III - \$ REDACTED; State Avg. - \$ REDACTED. Please explain the anticipated effects on competition from adopting these rates.

Dr. Collins, for Cox, at Page 21 of his May 23, 2001 testimony proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$	\$ REDACTED
Zone II	\$	\$ REDACTED
Zone III	\$	\$ REDACTED
State Avg.	\$	\$

Please explain the anticipated effects on competition from adopting these rates.

RENEE ALBERSHIEM, for Qwest

OSS Modification Costs

March 15, 2001

Page 24, Lines 12-19

In that section, you propose that Qwest recover \$12,826,720 in costs incurred to operate Line Sharing. Mr. Nacchio has often publicly stated that Qwest expects to profit from selling wholesale. Does Qwest expect to profit from its proposed UNE rates for Line Sharing? What are the expected profits for Line Sharing, per year? Why should Qwest's competitors pay for Qwest's OSS modifications if those costs are to be recovered during the lifetime of the business relationship?

DICK BUCKLEY, for Qwest

TELRIC

March 15, 2001 Testimony

Page 9, Lines 21-23

In that section, you show the LOOPMOD and HAI Model rates for Loop Only and argue that they are within a 'zone of reasonableness'. If so, then is the HAI Model 'reasonable'? What would be the implications of adopting the HAI Model for TELRIC in this docket?

WILLIAM L. FITZSIMMONS, for Qwest

UNE- Loop

March 15, 2001 Testimony

Page 4, Lines 12-19

In that section, you argue that the price of basic residential service is below cost and that Qwest is recovering that shortfall through increased rates on other services. If it is already subsidized, and already recovered, shouldn't the \$5 HFPL charge result in a further reduction of that rate? If not, then see Page 11, Lines 18-19 of your same testimony, "There is no single correct allocation of joint and common costs." Can't this Commission determine that the HFPL charge should further reduce the basic residential rates, both at the wholesale and the retail level?

UNE- Loop

March 15, 2001 Testimony

Page 22, Lines 3-8

In that section, [and in your rebuttal testimony at page 10, line 13 through page 13, line 3] you argue that Qwest is in a highly competitive situation in Arizona. You cite numbers of collocated CLEC's and numbers of CLEC's as competitive forces. How many miles of loop does Qwest have in Arizona? How many miles do its competitors? Haven't Qwest officials argued that the line into the home is the key to profits? [See Telecommunications Reports, December 13, 1999,

“Turning DSL into Dough is the Goal of US West” pg. 36] That is, once you have the basic service line, you can maximize other services and drive up your profit? If so, then is the total number of miles of owned-loop a better indicator of the state of competition in Arizona? Or, is the number of customers a better indicator? If so, what percentages of Arizona lines are served by Qwest? By CLEC’s?

UNE- Loop

Rebuttal Testimony

Page 26, Lines 3-12

In that section, you cite a New York Administrative Law Judge statement debunking the HAI Model, HM5.2a. Was that language retained in the final order? Did the New York Public Service Commission uphold ALJ Linsider’s recommended opinion? Was the opinion legally challenged? Was the challenge, if any, successful and was the Loop Cost model related to the challenge? Have any other states found that the HAI Model is “flawed”?

D.M. GUDE, for Qwest

UNE Rates

March 15, 2001

Page 4, Lines 7-15

In that section, you present Qwest’s proposed ‘avoided costs’ for basic business and residential service. You propose that Qwest will only avoid 9.41% of its costs when selling business exchanges wholesale and only 4.19% when selling residential exchange wholesale. Has any state, anywhere, ever adopted such low avoided costs? What would be the ability of any CLEC to purchase at those rates and earn, as Ms. Arnold puts it, “a level that will permit [CLEC’s] a fair opportunity to compete in the marketplace and to earn a reasonable return on its investment in Arizona”?

UNE Rates

March 15, 2001

Page 13, Lines 7-10

In that section, you state that the current resale discounts in Arizona are 12% for basic residential service and 18% for most other services. Do you have any facts showing effective competition in Arizona at those rates? What would be the impact (to competition) of reducing the resale discounts to the extent you propose?

UNE Rates

March 15, 2001

Page 39, Lines 3-4; Lines 13-16; Lines 17-18

In those sections, you state that Qwest’s advertisements benefit its competitors by building product awareness. Are you aware of any business model that relies on competitor advertisements as a means of improving business? Will Qwest remove its corporate insignia, name and any/all other identifying information from every advertisement that is related to any

product or service offered through resale? Why or why not? Is there any evidence you can provide showing that that Qwest's advertisements benefit its competitors more than Qwest? Is there any evidence you can provide showing a state or FCC decision to allow such costs to be charged through resale?

PERRY W. HOOKS, JR, for Qwest

UNE- Loop

Page 9, Lines 6-16

In that section, you argue that the cost of the loop should be recovered by those services that benefit from the loop. According to Qwest, that is not the case in Arizona, Qwest argues that the cost of the loop is largely recovered by increased rates on other services. If the cost of the loop is already being recovered from non-loop related services, does your argument about direct cost causation apply? That is, if basic residential service is already below cost and Qwest is recovering that shortfall through increased rates on other services, how can Qwest continue to argue for direct cost causation? In Mr. Fitzsimmons' testimony for Qwest, he states, "There is no single correct allocation of joint and common costs." Do you agree with that statement? Can't this Commission determine that the HFPL charge should further reduce the basic residential rates, both at the wholesale and the retail level?

ACC Staff

Resale Discounts

In the rebuttal testimony of D.M. Gude, for Qwest, filed June 27, 2001, at Page 46, Line 10 through Page 48, Line 4, she argues that the resale discounts proposed by Mr. Dunkel for Staff run counter to the U.S. District Court's findings in US West v. Jennings. Have you analyzed her argument? Is it correct? Have you analyzed Mr. Dunkel's proposed resale discounts [12% basic residential; 18% other services] would they violate US West v. Jennings?

Power Charges

Mr. Lathrop, for AT&T/WorldCom/XO, in his May 16, 2001 testimony, at page 55, line 19 through Page 57, line 16, argues that Qwest's power plant investments and costs are excessively high, unexplained and possibly inconsistent. Has the Commission reviewed the rates Qwest is being charged by its power provider? Are the actual costs Qwest incurs for power reflected in Qwest's proposal in this docket? Has the Commission made any determination regarding the power charges and rates proposed by Qwest in this docket?

WILLIAM DUNKEL, for Staff

UNE- Loop

In the rebuttal testimony of Mr. Fitzsimmons, for Qwest, UNE- Loop, at Page 62, Lines 3-18, he states that your run of the HAI Model was "a mishmash"; unsound; and "a mongrel". Does Mr. Fitzsimmons provide any actual information regarding your run of the HAI Model and if so, is the information he provides correct? Please feel free to respond to Mr. Fitzsimmons allegations.

UNE - Loop

June 12, 2001 Testimony

Page i

On that page you present your proposed unbundled loop rates, by zone. They are as follows:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 9.35	\$ 9.35
Zone II	\$14.57	\$14.20
Zone III	\$43.80	\$36.34
State Avg.	\$13.22	\$11.89

Please explain the anticipated effects on competition from adopting these rates.

Mr. Denney, for AT&T/WorldCom, at Page 46 of his May 16, 2001 testimony proposes the following rates:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 7.34	\$ 7.34
Zone II	\$11.23	\$10.91
Zone III	\$32.06	\$26.59
State Avg.	\$10.11	\$ 9.14

Please explain the anticipated effects on competition from adopting these rates.

Ms. Million, for Qwest, at Page 1 of Exhibit TKM-2, October 11, 2000 proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$REDACTED	\$REDACTED
Zone II	\$REDACTED	\$REDACTED
Zone III	\$REDACTED	\$REDACTED
State Avg.	\$REDACTED	\$REDACTED

Please explain the anticipated effects on competition from adopting these rates.

In the rebuttal testimony of Teresa K. Million, for Qwest, at Page 58, Line 14 through page 59, line 13; she proposes new break points and new costs as follows (excluding sold exchanges):

Zone I - \$ REDACTED; Zone II - \$ REDACTED; Zone III - \$ REDACTED; State Avg. - \$ REDACTED. Please explain the anticipated effects on competition from adopting these rates.

Dr. Collins, for Cox, at Page 21 of his May 23, 2001 testimony proposes the following costs:

Including Sold Exchanges		Excluding Sold Exchanges	
Zone I	\$		\$ REDACTED
Zone II	\$		\$ REDACTED
Zone III	\$		\$ REDACTED
State Avg.	\$		\$

Please explain the anticipated effects on competition from adopting these rates.

Line Sharing

June 12, 2001 Testimony

Page iii

On that page, you propose a line-sharing rate of \$2.38 for the HFPL. Qwest argues that the price of the loop for basic residential service is below cost and that the Commission allows Qwest to recover the cost through increase rates on non-loop services. If that is true, and the loop is already subsidized by ratepayers; shouldn't the cost of HFPL be allocated to reductions in the wholesale and retail costs of basic residential service?

UNE Rates

June 12, 2001 Testimony

Page iv

On that page, you argue that the proposed discount rates of Qwest are too low and you propose retaining the current ACC-approved discounts. In Ms. Gude's testimony for Qwest, March 15, 2001 at Page 4, Lines 7-15, she argues that Qwest only avoids 9.41% of its costs when selling business exchanges wholesale and only 4.19% when selling residential exchange wholesale. At page 58, of your same testimony you state the following states have adopted the following discounts: CO - 13%; IO - 10.27%; NE - 22.5%; NM - 15.05%; SD - 15.49%; UT - 12.2%; WA - 16%. Has any state, anywhere, ever adopted avoided costs of 9.41% or 4.19%? What would be the ability of any CLEC to purchase at Qwest's proposed discount rates and earn, as Ms. Arnold puts it, "a level that will permit [CLEC's] a fair opportunity to compete in the marketplace and to earn a reasonable return on its investment in Arizona"? What would be the effect on competition of adopting your proposal, which is to retain the 12% discount for residential basic exchange serve and the 18% discount for other services?

UNE Rates

In the rebuttal testimony of D.M. Gude, for Qwest, filed June 27, 2001, at Page 49, Lines 13 through Page 50, Line 1, she argues that Qwest has provided this Commission with sufficient information to support Qwest's proposed discounts. Please respond to her arguments. Can the Commission adopt the discounts you propose and expect to succeed if challenged legally? Have other states been so challenged? What was/were the result(s)?

UNE Rates

In the rebuttal testimony of D.M. Gude, for Qwest, filed June 27, 2001, at Page 53, Line 11 through Page 56, Line 1, she argues that your reliance on the discount formula: *avoided costs*,

divided by revenue is not supported in the 1996 Telecommunications Act and that other states have explicitly rejected it in favor of the Qwest-preferred formula: *avoided costs, divided by total costs*. What states have adopted the *avoided costs/revenue* formula? Were those decisions successfully challenged due to reliance on that formula? What are the effects of each formula on discounts, costs and competition?

Collocation

June 12, 2001 Testimony

Page 5, Line 19 through Page 18, Line 4

In that section, you discuss your concerns with Qwest's collocation cost study. Have you reviewed Qwest's rebuttals to that section? If so, do you still believe that your proposed interconnection and collocation rates should be adopted, rather than Qwest's? What would be the effect on competition of adopting Qwest's cost study and appurtenant rates? What would be the effect of adopting your proposed rates?

Collocation

June 12, 2001 Testimony

Page 20, Lines 8-17

In that section, you discuss Qwest's proposed 'engineering fee' of \$1,274.63 for splitter jobs, which are, according to Qwest witnesses, the 'principal concern' in collocation. What would be the effect of adopting Qwest's proposed 'engineering fee'? What would be the effect of adopting your proposed fee, at page 22, line 5-10, of ten hours' engineering time, or \$560?

Collocation

June 12, 2001 Testimony

Page 22, Lines 7-10

In that section, you propose a \$120 fee for 'filling the bay' orders. Please explain 'filling the bay'. What fee does Qwest propose for such service? What would be the effects on competition of adopting Qwest's proposed fee? Of adopting your proposed fee?

Collocation

Mr. Lathrop for AT&T/WorldCom/XO, in his May 16, 2001 testimony, at page 53, lines 20-22 recommends that the Commission require Qwest to use the cage costs developed in its response to discovery request ATT 02-103. Have you reviewed that request and Qwest's response? If so, what would be the impact of adopting Qwest's response?

Current to Book Ratio

June 12, 2001 Testimony

Page 27, Lines 4-13

In that section, you explain the negative effect of adopting Qwest's proposed 'current to book' adjustments to its asset base. Have you reviewed Qwest's rebuttal of your testimony? [Gude,

June 27, 1001, Page 35, Line 14 through page 37, Line 12] If so, please explain the dispute. What do you recommend the Commission do in this instance?

OSS Costs

June 12, 2001 Testimony

Page 34, Line 21 through Page 35, Line 5

In that section, you explain the effect of allowing Qwest to recover OSS costs on a recurring basis from the CLEC's it serves. You argue that a \$100 per order fee (recovered at \$2.74 per month over 36 months) would harm competition. Please elaborate. On page 36, you recommend a monthly cost of \$0.10 per line. What was Qwest's response to that proposal? What would be the effect on competition of each proposed rate?

UNE Rates

June 12, 2001 Testimony

Page 45, Line 5 through Page 46, Line 2

In that section, you discuss 'vertical services' and the proposals of Qwest and the CLEC's. Have you found any state that adopted rates for vertical services similar to Qwest's proposal? What would be the impact of adopting Qwest's rates? You and the CLEC's recommend that vertical services be included in the 'port' UNE rate. Have other states followed that model? What would be the impact of adopting your proposal?

Loop Conditioning

June 12, 2001 Testimony

Page 52, Lines 1-15

In that section, you agree with Sprint's witness, Randi Farrar in that the non-recurring charges proposed by Qwest for loop conditioning are excessive. Have you reviewed Qwest's rebuttal to your testimony? If so, do you continue to believe that your proposed rates on Schedule WD-8 are appropriate? If so, please explain the effect of your proposed rates? Of Qwest's?

TELRIC

June 12, 2001 Testimony

Page 68, Line 10 through Page 74, Line 18

In that section, you discuss Qwest's LoopMod cost model for establishing TELRIC rates. Have you reviewed the AT&T/WorldCom and XO proposal to adopt HM 5.2a as the cost model for establishing TELRIC rates? Which do you recommend the Commission adopt? What are the expected impacts of adopting LoopMod? Of adopting HM 5.2a?

EDWARD J. CAPUTO, for WorldCom

UNE Rates

May 16, 2001 Testimony

Page 8, Line 8-17

July 11, 2001

Page 13

In that section, you argue that the FCC made clear that the DAL database is a UNE and that it must be available to CLEC's on a non-discriminatory basis. You argue at page 11, lines 7-9 that the Qwest proposed rate of \$0.025 per initial listing and each update is 3000 times the actual cost. Please elaborate. What would be the effect on competition in Arizona if the Qwest proposal were adopted? What do you recommend?

UNE Rates

May 16, 2001 Testimony

Page 13, Line 9-19

In that section, you discuss Qwest's proposed rates for ICNAM, which includes caller I.D. with name and line information such as fraud checks, valid calling card numbers, etc. What would be the effect of adopting Qwest's proposed rates for ICNAM on competition in Arizona? What do you recommend?

THOMAS H. WEISS, for AT&T/WorldCom/XO

Fill Factors

May 18, 2001 Testimony

Page 12, Line 21 through Page 13, Line 7

In that section, you recommend the Commission adopt fill factors of 0.625 and 0.6667. Have you reviewed Qwest's rebuttal of that testimony in which they argue your factors are unrealistic? [Buckley, June 27, 2001, Page 7] What other state(s) is/are similar to Arizona in terms of geography and population distribution? What fill factors have they adopted? What is the impact on rates of adopting a fill factor that is too low? Of adopting a fill factor that is too high?

TELRIC – Boring Costs

May 18, 2001 Testimony

Page 25, Line 20 through Page 28 Line 2

In that section, you discuss Qwest's reliance on boring as a method of cable placement and Qwest's assumptions about cable placement activities. Have you reviewed Qwest's rebuttal testimony [Buckley, June 27, 2001, Page 2] in which they reduce their reliance on boring and make other adjustments to cable placement? If so, does this resolve your concerns?

TELRIC – Boring Costs

May 18, 2001 Testimony

Page 29, Lines 17-19

In that section, the following appears: "TOM – can't you add anything to this based on your own experience and opinions? Can you at least say that the Commission's percentages are realistic

(or - better yet – conservative)”. Understanding exactly what that comment is, I would still be interested in hearing your answer to it, are the Commission percentages for structure sharing and boring ‘realistic’, ‘conservative’? What are the impacts of ‘realistic’ and ‘conservative’ percentages? Are Qwest’s new proposals either?

TELRIC

May 18, 2001 Testimony

Page 38, Lines 14-19

In that section, you conclude that the engineering portion of the LoopMod cost model proposed by Qwest “fails to yield logical estimates of Qwest’s costs to produce UNE loops.” Have you seen Qwest’s rebuttal of your testimony? If so, have your conclusions changed? In Mr. Buckley’s March 15, 2001 Testimony for Qwest, at Page 9, Lines 21-23 he shows the LOOPMOD and HAI Model rates for Loop Only and argues that they are within a ‘zone of reasonableness’. Do you agree that both LoopMod and HAI are within a ‘zone of reasonableness’?

TELRIC

May 18, 2001 Testimony

Page 44, Line 7 through Page 45, Line 2

In that section, you argue that HM5.2a is the ‘only reliable loop costing model available in the industry today’. What state commissions have relied on HM5.2a? To what extent does the FCC rely on HM5.2a? What would be the implications of adopting the HAI Model for TELRIC in this docket?

TELRIC

May 16, 2001 Testimony

Page 12, Lines 5-8

In that section, you argue that the FCC’s local interconnection rules prohibit developing TELRIC that reflect, among other things, ‘revenues [that] subsidize other services’. Qwest continues to argue that basic residential loop prices are set below cost and that other services subsidize basic residential loop prices. If so, would that violate the FCC’s rules? From your studies, is Qwest correct regarding basic residential loop prices being subsidized by other services?

UNE Rates

May 16, 2001 Testimony

Page 28, Lines 5 through Page 29, Line 5

In that section, you state that the inclusion of certain costs, including product advertising, are prohibited by the FCC from inclusion in the ‘calculation of the forward-looking economic cost of an element.’ In the March 15, 2001 testimony of D.M. Gude, for Qwest, at Page 39, Lines 3-4; Lines 13-16; Lines 17-18, she argues that Qwest’s advertisements benefit its competitors by building product awareness. Has the FCC reviewed any similar claims by Qwest or other RBOC’s? If so, what did it find? If not, what would you expect the FCC response to be?

UNE Rates

May 16, 2001 Testimony

Page 37, Line 10 through Page 38, Line 2

In that section, you argue that Qwest's claim that it should be allowed to increase the costs of certain UNE elements to incorporate 'uncollectible' revenues is inappropriate. Can you cite any FCC or ACC rule or decision that supports your argument? Are you aware of any business model that does not include the costs of 'uncollectibles' in the price of goods or services? What about requiring performance bonds for resellers with weak financials? Would that protect Qwest from 'uncollectibles' and protect CLEC's from paying extra costs to cover that risk?

MICHAEL HYDOCK, for AT&T/WorldCom/XO

Loop Conditioning

May 18, 2001 Testimony

Page 21, Line 21 through Page 22, Line 5

In that section, you state that the Qwest proposed loop-conditioning costs would be 'so excessive that it would take literally years for a CLEC to recover those costs from its own customers.' Have you reviewed the testimony of Mr. Dunkel for Staff? If so, what would be the effect of adopting his proposed loop conditioning charges found at Schedule WD-8 of his June 12, 2001 testimony? What would be the effect on competition of adopting those proposed rates?

MDU's/MTE's

May 18, 2001 Testimony

Page 25, Line 2 through Page 26, Line 10

In that section, you argue that the Qwest proposal for a quote preparation fee of \$1,631.67 for a Field Connection Point (FCP) will stop facilities based competition in Arizona. Please elaborate. Is there a way to resolve this issue that will harm neither the incumbent nor the CLEC's?

UNE - Vertical Features

May 18, 2001 Testimony

Page 42, Line 19 through Page 43, Line 3

In that section, you argue that Qwest's proposed rates for vertical features violates the 1996 Telecommunications Act; FCC Rules; the 8th Circuit's July 17, 1997 opinion and the U.S. Supreme Court's January 1999 decision. Have you reviewed the recommendation of Mr. Dunkel, for Staff, in his June 12, 2001 testimony, at page 45, Line 5 through Page 46, Line 2, in which he recommends vertical features be included in the 'port UNE rate'? Do you agree? What would be the impact on competition in Arizona of adopting Qwest's rates for vertical features? Of adopting Staff's proposal?

Collocation

May 18, 2001 Testimony

Page 47, Line 6 through 48, Line 15

In that section, you argue that Qwest's proposal to have nineteen rates determined on an Individual Case Basis (ICB) is contrary to FCC and DOJ findings. Please elaborate. Has any state adopted an SGAT with so many items determined ICB? What would be the impact on competition in Arizona of adopting such an SGAT?

DOUGLAS DENNEY, for AT&T/WorldCom/XO

TELRIC

May 16, 2001

Page 38, Lines 11-13

In that section, you state that the HAI Model uses a cable-sizing factor of 75% in distribution, resulting in an average actual fill factor of 48.8%. In the rebuttal testimony of Qwest witness, Garrett Y. Fleming, filed June 27, 2001, at page 91, Lines 15-21, he states that the HAI Model uses a fill factor of 94%. What is the fill factor in the HAI Model? How does it compare to industry standards? Qwest statements? Similar states? Have any states adopted the HM5.2a as their cost model? Have any states adopted the Qwest LoopMod cost model? What would be the effect on competition in Arizona of adopting HM5.2a? Of adopting LoopMod?

UNE - Loop

Mr. Dunkel, for Staff, at Page i of his June 12, 2001 testimony proposes the following rates:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 9.35	\$ 9.35
Zone II	\$14.57	\$14.20
Zone III	\$43.80	\$36.34
State Avg.	\$13.22	\$11.89

Please explain the anticipated effects on competition from adopting these rates.

Mr. Denney, for AT&T/WorldCom, at Page 46 of his May 16, 2001 testimony proposes the following rates:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$ 7.34	\$ 7.34
Zone II	\$11.23	\$10.91
Zone III	\$32.06	\$26.59
State Avg.	\$10.11	\$ 9.14

Please explain the anticipated effects on competition from adopting these rates.

Ms. Million, for Qwest, at Page 1 of Exhibit TKM-2, October 11, 2000 proposes the following costs:

	Including Sold Exchanges	Excluding Sold Exchanges
Zone I	\$REDACTED	\$REDACTED
Zone II	\$REDACTED	\$REDACTED
Zone III	\$REDACTED	\$REDACTED

State Avg. \$REDACTED

\$REDACTED

Please explain the anticipated effects on competition from adopting these rates.

In the rebuttal testimony of Teresa K. Million, for Qwest, at Page 58, Line 14 through page 59, line 13; she proposes new break points and new costs as follows (excluding sold exchanges): Zone I - \$ REDACTED; Zone II - \$ REDACTED; Zone III - \$ REDACTED; State Avg. - \$ REDACTED. Please explain the anticipated effects on competition from adopting these rates.

Dr. Collins, for Cox, at Page 21 of his May 23, 2001 testimony proposes the following costs:

Including Sold Exchanges		Excluding Sold Exchanges
Zone I	\$	\$ REDACTED
Zone II	\$	\$ REDACTED
Zone III	\$	\$ REDACTED
State Avg.	\$	\$

Please explain the anticipated effects on competition from adopting these rates.

UNE- Loop

May 16, 2001 Testimony

Page 49, Lines 10-18

In that section, you argue against Qwest's break points between zones. In the rebuttal testimony of Teresa K. Million, for Qwest, at Page 58, Line 14 through page 59, line 13; she proposes new break points and new costs as follows (excluding sold exchanges): Zone I - \$16.89; Zone II - \$22.57; Zone III - \$34.34; State Avg. - \$25.95. Please explain the anticipated effects on competition from adopting these rates.

UNE- DSL

May 16, 2001 Testimony

Page 55, Lines 9-10

In that section, you propose the following rates for xDSL:

G.lite		
UNE Type	Copper Feeder	DLC Feeder
Capable Loop	\$5.74	\$11.90
Equipped Loop	n.a.	n.a.
Voice UNE's	\$3.90	\$3.90

HDSL 4-wire		
UNE Type	Copper Feeder	DLC Feeder
Capable Loop	\$7.46	\$15.47
Equipped Loop	n.a.	n.a.
Voice UNE's	n.a.	n.a.

Have you reviewed the June 12, 2001 testimony of Mr. Dunkel for Staff, in particular, Exhibit 8, Page 9? What would be the impact of adopting his proposed rates? Of adopting your proposed rates? Of adopting Qwest's?

ROY LATHROP, for AT&T/WorldCom/XO

Collocation

May 16, 2001 Testimony

Page 47, Lines 2-10

In that section, you argue that Qwest's engineering charges for line sharing and CLEC-CLEC interconnections are overstated. Have you reviewed the rebuttal testimony of Teresa K. Million for Qwest, at Page 13, Line 8 through Page 15, Line 4, in which she rebuts Mr. Knowles testimony on CLEC-CLEC interconnections? Do you have a response to her arguments? Have you reviewed the proposal of Mr. Dunkel for Staff? What would be the effect on competition of adopting his recommended rates?

Dr. FRANK R. COLLINS, for Cox

MDU/MTE

May 23, 2001 Testimony

Page 14, Lines 8-17

In that section, you propose a resolution to the MDU/MTE access dispute; your proposal is that the Commission require Qwest to convey the facilities in question under the 1996 Telecommunications Act to the property owner. Please elaborate on this proposal and its expected effect on competition in Arizona. How will it comport with this Commission's past decisions on depreciation and rates? Has any other state adopted a similar proposal? If so, what was/were the effect(s)?

MDU/MTE

In the rebuttal testimony of Garrett Y. Fleming, for Qwest, filed June 27, 2001, at Page 103, Lines 14-22, he argues that revising the prices for MDU/MTE would result in increased prices for other portions of the distribution loop. Is that argument accurate? What might be the effect of revising MDU/MTE prices on other portions of the distribution loop? What would be the effect of adopting your proposal (above) on the prices of other portions of the distribution loop?

Fill Factors

May 23, 2001 Testimony

Page 16, Lines 1-8

In that section, you seem to recommend a sizing factor of 80%. Is that the sizing factor you recommend in this docket? What would the resulting average actual fill factor be if that sizing factor were adopted? What would be the impact on loop costs of adopting an 80% sizing factor? Mr. Denney, for AT&T/WorldCom/XO, in his May 16, 2001 testimony, at Page 38, Lines 11-13 states that the HAI Model uses a cable sizing factor of 75% in distribution, resulting in an average actual fill factor of 48.8%. How do these factors compare to Cox's estimates? What would be the impact on loop costs of adopting the Denney figures?

July 11, 2001

Page 19

I look forward to the hearings and the responses to the above questions. Needless to say, this is not a complete list of all my questions, and all parties should expect further questions during the hearings.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Marc Spitzer', with a stylized, flowing script.

Marc Spitzer
Commissioner

Cc: Chairman William Mundell
Commissioner Jim Irvin
Hercules Dellas
Patrick Black
All Parties